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C O N F I D E N T I A L SECTION 01 OF 03 BEIRUT 000421

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SUBJECT: LEBANON: FINMIN CHATAH PROMOTES 1949 ARMISTICE AS  
WAY TO COUNTER HIZBALLAH; FINDS BUDGET COMPROMISE

REF: A. BEIRUT 321

[1](#)B. BEIRUT 222

[1](#)C. BEIRUT 172

[1](#)D. BEIRUT 141

[1](#)E. 08 STATE 110753

Classified By: Ambassador Michele J. Sison for reasons 1.4 (b) and (d).

SUMMARY

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[1](#)1. (C) In an April 7 meeting with the Ambassador, Finance Minister Mohammad Chatah said the principles of March 14 are still championed by the majority of Lebanese, but the inability of the March 14 moderate coalition to create institutions that represent those principles has been a "major failure." He suggested the U.S. could assist Lebanese moderates by calling for the implementation of Lebanon's 1949 armistice agreement with Israel, providing a vision of a way to protect Lebanon and countering Hizballah's vision of a resistance to defend Lebanon. He predicted the cabinet and parliament would be ineffective in the final weeks before the June 7 elections. Chatah believed he had found a solution to the budget impasse over the Council for the South, and expected the budget to move forward in cabinet in the coming week. End summary.

MARCH 14 PRINCIPLES IN TACT  
BUT LACK OF COHESION A "MAJOR FAILURE"  
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[1](#)2. (C) The Ambassador, accompanied by EconOff, called on Finance Minister Chatah in his Ministry office in downtown Beirut April 7. Chatah advisor Huda Saigh also attended the meeting. Chatah, PM Siniora's closest advisor before taking on the Finance portfolio and still a strong March 14 figure, said he was still cautiously optimistic about March 14's chances in the June 7 parliamentary elections, because the principles behind the movement -- sovereignty, security, economic development -- are espoused by a majority of Lebanese. (Note: Like Siniora, Chatah supports Saad Hariri's

Future Movement. End note.)

13. (C) Regardless of the election results, Chatah said he hoped and expected that in the next phase of Lebanese politics, March 14 would "expand the circle" beyond the four principal political leaders (Future Movement's Saad Hariri, Lebanese Forces' Samir Geagea, Kataeb's Amine Gemayel, and Progressive Socialist Party's Walid Jumblatt) to include those individuals or independents who champion the same principles, but who wield less direct political influence. He noted that many of these figures were frustrated by the political horse-trading among the major parties during the candidate selection process in advance of the elections, and he lamented the alliance's unwillingness to come together for the sake of the whole. "If there is a failure, it is the inability of March 14 to create institutions that respect its principles," he said.

NOT A RESISTANCE TO DEFEND,  
BUT AN ARMISTICE TO PROTECT  
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14. (C) Chatah judged that a "too active" USG presence in advance of the June 7 elections could backfire and look like interference and hurt the cause of moderates in Lebanon. The best path for the United States, he claimed, would be to advocate a viable interim solution for Lebanon until a comprehensive Middle East peace can be forged. He said this solution should be based on the Lebanese-Israeli Armistice of 1949, the outlines of which are echoed in documents such as the Taef Agreement and UNSCR 1701. He noted the domestic

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resonance of the Arabic equivalent for armistice -- "hudna" -- and said the U.S. could build credibility in Lebanon and the region by using it. "A strategic policy of this sort would be good for Lebanon and good for your Lebanon policy," he stated.

15. (C) Chatah believed it was important to present a credible vision to counter the Hizballah model of "resistance," i.e. the ability to retaliate against Israel, by presenting the armistice as a way to protect Lebanon from having to retaliate. He stressed that the international community, particularly the United Nations, but also western and regional powers, should participate in this vision. He believed Egypt and Saudi Arabia, especially, could play constructive roles in the region. Syria, with U.S. engagement, could also have a positive influence, he assessed.

POLITICIANS FOCUSED ON ELECTIONS  
NOT ON GOVERNING  
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16. (C) Despite continuing weekly parliament and cabinet sessions, Chatah did not expect either body to accomplish much in the two months before the elections. He noted that the April 7 parliamentary session lacked a quorum, and said that in any event, the legislative docket was packed with "election-time laws," i.e. popular initiatives meant to curry votes, regardless of their potential negative effects on the Lebanese economy (Ref A). He continued to be frustrated by several hours-long cabinet meetings that result in little consensus.

BUDGET COMPROMISE FOUND?  
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17. (SBU) Chatah did believe there was progress on the long-stalled 2009 budget, as he had devised a proposal to provide funding to the Council for the South (a subject of dispute between PM Siniora and Speaker Berri) (reftels), while preparing the way for its eventual closure, as outlined in the government ministerial statement. In Chatah's plan, the Council would receive the money Berri requested for it, but would lose responsibility for functions that should be

carried out by the state, such as pensions and healthcare. Chatah said President Sleiman wanted to ensure there was consensus on all sides before the proposal went back to cabinet, but the minister expected it would be discussed very soon.

18. (SBU) Even if parliament and cabinet were not active in their final weeks, Chatah said that after Lebanon's recently completed and highly successful debt exchange, he and his ministry would continue work on new initiatives to boost employment, such as a waiver on social security payments for employers hiring summer workers and tax breaks for those who hire additional Lebanese workers in 2009 and 2010. Meanwhile, he assessed that fears of large numbers of expatriate workers returning to Lebanon from the Gulf in the wake of the international financial crisis had so far not materialized.

COMMENT  
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19. (C) Chatah's long-term strategy to counter Hizballah is refreshing, particularly in light of the current short-term focus of most March 14 leaders on winning the upcoming elections. (Note: A Sunni from Tripoli, Chatah is a former IMF official and a former Lebanese Ambassador to the United States. However, he is not a candidate for parliament himself. End note.) The idea of using the 1949 armistice as the basis for achieving a viable interim peace between

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Lebanon and Israel, pending a comprehensive Middle East peace, may have merit as a means of discrediting Hizballah's model of armed resistance in the domestic and international context.

110. (C) Chatah refused to label his budget proposal for the Council for the South, Nabih Berri's patronage instrument (Ref B), as a "compromise," insisting that the proposal would bring back executive power to state institutions, a fair trade-off for the government. Nonetheless, in the short-term, Berri will certainly claim victory in the dispute just before the elections, because the proposal gives Berri almost the exact dollar amount he asked for (\$40 million) in his original request for the Council. End comment.  
SISON